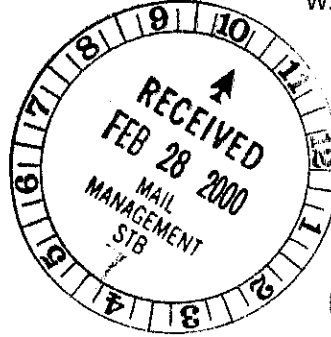


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Potlatch

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Public Record

February 25, 2000

Mr. Dennis Watson
Surface Transportation Board
1925 K. Street, N. W.
Washington, D.C. 20423-0001

Dear Mr. Watson:

Please reference Ex Parte 582, Public Hearing on Major Rail Consolidations and Present, Future Structure of North American Rail Industry.

Enclosed you will find one original, ten copies and one floppy disk of a statement that we would like included in the record.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joel T. Blalock'.

Joel T. Blalock
Transportation Manager
Wood Products Group

POSITION ON THE FUTURE STRUCTURE OF THE UNITED STATES
RAILROAD INDUSTRY - EX PARTE NUMBER 582

STATEMENT OF POTLATCH CORPORATION

Potlatch Corporation, founded in 1903 in Potlatch, Idaho, is a diversified forest products company with 1.5 million acres of timberland in Arkansas, Idaho and Minnesota. Plants and facilities are located in Oregon, Idaho, Minnesota, Arkansas and Nevada. Our manufacturing facilities convert wood fiber into two main product lines: bleached fiber products (bleached kraft pulp, paperboard, coating printing papers and consumer tissue) and wood products (oriented strand board, lumber, plywood and particleboard). Sales in 1999 were \$1.68 billion. Markets are nationwide and international and we rely heavily on rail transportation to reach our customers. Our plants are located on the Burlington Northern Santa Fe, Canadian National, Canadian Pacific, Union Pacific and connecting shortlines. We have customers on practically all of North America's railroads.

We are very concerned about the recently announced plans by the Burlington Northern Santa Fe and Canadian National to merge their two systems. Though the potentially anti-competitive features of a CN / BNSF merger are of some concern, we are even more concerned about the possibility – even likelihood – that this merger will trigger a reaction by other United States and Canadian carriers that would radically change the structure of the rail industry in North America. This could eventually reduce the number of major railroads from six to two, a result that would be untenable.

Some past rail mergers have had a complementary effect on the U. S. rail industry despite the nearly catastrophic service failures that followed the Union Pacific – Southern Pacific combination. We find it difficult, however, to see how further consolidation will benefit the shipping public. A reduction in the number of rail carriers will further narrow competitive choices available to the users of rail transportation and will increase the likelihood that the remaining two or four railroads will inappropriately exploit their increased market power.

At this point, Potlatch is taking a neutral stance on the BNSF – CN merger application. Once the initial filing is made we will, hopefully, have a better understanding of its purpose and benefits. We do not believe, however, that it should be treated as a simple merger of two railroads but, rather, the STB should take the opportunity to develop a road map that will mitigate potentially anti-competitive actions should the rail industry consolidate even further. *Increased* competition should be the final result rather than less. Consideration should be given to reduced antitrust immunity, terminal or competitive access, and other changes that will protect the public from an oligopolistic national rail structure. In addition, in view of the recent growth in the number of shortline railroads, consideration should also be given to special protective provisions for this important segment of the railroad industry.

Thank you for the opportunity to express our concerns. As a major North American shipper, we hope to be given further opportunities to present our point of view and to assist you in making a decision that will benefit us all.

Submitted by:

Larry J. Schroeder, Transportation Manager, Pulp and Paper Group
David A. Weisel, Distribution Manager, Consumer Products Division
James Kallestad, Logistics Manager, Minnesota Pulp and Paper Group
Roger M. Schmitt, Manager Transportation Services
Joel T. Blalock, Transportation Manager, Wood Products Group